

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed
Adoption of Rules of the Minnesota
Housing Finance Agency Governing
the Energy Improvement Loan
Insurance Program.

Statement of Need
and Reasonableness

4900.0601

This part sets forth definitions for the purpose of parts 4900.0601 to 4900.0605.

Subp. 2. The definition of Agency provides a shortened form of Minnesota Housing Finance Agency.

Subp. 3. The definition of Borrower provides a single word to describe either one person or several persons who receive a loan insured by the Energy Improvement Loan Insurance Program.

Subp. 4. The definition of Energy Improvement Loan Insurance Program provides a description of the purpose of the program as established in Minnesota Statutes, Section 462A.05, Subdivision 23. It is reasonable to provide this definition to clarify the reading of the rule.

Subp. 5. The definition of Insure provides a single word to describe funds provided to an eligible lender for reimbursement of a portion of a defaulted loan insured under the program, up to a maximum total amount for each lender. This definition is necessary to clarify references to these funds throughout parts 4900.0602 to 4900.0605.

Subp. 6. The definition of Lender provides a single word to describe eligible lending institutions. This definition is necessary to define lending institutions which may participate in the program. The limitation is specifically set forth in the statute authorizing the program.

Subp. 7. The definition of Rental Dwelling Unit provides a description of a self-contained residential rental housing unit. This definition is necessary because rental properties may not provide self-contained housing units and/or may be used for nonresidential purposes. The definition is necessary to clarify references to a specific portion of eligible structures throughout parts 4900.0602 to 4900.0605. The definition is reasonable because the eligible improvements which are financed by the insured loan should primarily benefit the residential portion of the structure.

4900.0602

This part establishes that an eligible loan must comply with parts 4900.0603 to 4900.0605. The necessity of these requirements will be discussed in that section of this statement.

4900.0603

This part establishes eligibility criteria for the borrower in the program.

Subp. 1. This subpart establishes the requirement that the borrower must have at least a one-third interest in the structure to be improved. The requirement is necessary to ensure that the borrower will have sufficient interest in the structure to be willing to repay the loan. This limitation is reasonable because it is no more or less restrictive than the FHA Title I Insurance program, under which most other property improvement loans financed by the Agency are insured.

Subp. 2. This subpart requires that the borrower shall be a reasonable credit risk and able to repay the loan obligation. This requirement is necessary to ensure that the borrower will be able to repay the loan. It is reasonable for the Agency to limit participation in the program to borrowers with a reasonable ability to repay, thereby enabling the Agency to provide the benefit of the funds appropriated by the Legislature to a variety of borrowers.

4900.0604

This part establishes eligibility criteria for the structure in the program.

The first paragraph specifies that an eligible structure must contain one or more rental dwelling units. The necessity of this requirement is discussed in Section 4900.0601, Subp. 7 of this statement. This limitation is reasonable because eligible improvements which are financed by the insured loan should primarily benefit the residential portion of the structure.

The second paragraph specifies that an eligible structure must not be in compliance with applicable energy efficiency standards. This criteria is specifically set forth in the statute authorizing the program.

4900.0605

This part establishes criteria for eligible improvement which may be financed with the proceeds of a loan insured under the program. This criteria is specifically set forth in the statute authorizing the program.

The Agency is cognizant of the provisions of Section 14.115 of the Minnesota Statutes, entitled Small Business Considerations in Rulemaking, however, the proposed rules do not establish any compliance or reporting requirements, design or operational standards, or directly affect the way any business must operate. Further, to the extent the proposed rules may have an indirect effect on small businesses, the effect is to make funds for energy conservation more readily available, and, as a result, the proposed rule has no negative effect on small businesses. Therefore, the provisions contained in Minnesota Statutes §14.115 (1983 Supp.) do not apply to the proposed rules discussed herein.